

January 28, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

STATE BUDGET REPORT

Assembly Budget Committee Action

The Assembly Budget Committee met yesterday and adopted a \$12.4 billion package of budget cuts (\$6.8 billion), fund shifts/loans (\$1.7 billion) and new revenues (\$3.9 billion). (A detailed summary is attached.) Major elements of the package include:

- “New revenue” of \$3.9 billion from the passage of AB 4X that clarifies the VLF trigger mechanism in place of the Governor’s reduction of the general government backfill;
- \$476 million in savings from suspension of the COLA’s for CalWORKs and SSI/SSP;
- \$2.8 billion in savings each year in education funding through a combination of reductions and deferrals;
- additional savings of \$1.4 billion from reducing a retirement contribution (\$500 million), deferred payment of the Traffic Congestion Relief Program Loan (\$500 million), and assumed employee compensation savings (\$470 million).

Governor’s recommendations ***not included*** in the package of interest to the County include:

- elimination of Medi-Cal optional benefits;
- reduction in Medi-Cal rates by 15%;
- reinstatement of Medi-Cal quarterly status reporting;
- rollback of the 1931b Medi-Cal expansion;
- reduction of SSI/SSP grants to the Federal minimum level;
- elimination of CalWORKs Stage 3 Child Care;
- sweep of unencumbered Low-Moderate Income Housing Funds;
- suspension of Proposition 42; and
- elimination of State Highway Account Funds for local maintenance.

The package is contained in seven bills - AB 6X through AB 12X. Two of the bills - AB 6X and AB 8X, which contain most of the budget reductions, were double-joined with the VLF bill, AB 4X, to apply pressure to the Governor to sign the later. However, Republicans opposed the motion to double join, claiming it would hold the cuts hostage to a tax increase. Without Republican support on the floor, there would be insufficient votes for an urgency clause to allow the cuts to take effect immediately. All of the bills, including AB 4X, will be considered in the Assembly on Tuesday, January 28, 2003. Assuming passage by the Assembly which is not a foregone conclusion, the Senate is expected to take them up this week. A conference committee is not anticipated.

Coastal Commission

On January 22, 2003 the Governor called a second special session of the Legislature to consider changes to the Coastal Commission statute to correct a defect in existing law that a trial court and a court of appeals had found to be unconstitutional. On Monday, January 27, 2003 the Assembly Natural Resources Committee conducted an informational hearing at which Committee Chairperson Jackson presented an overview of AB 1 2X (Jackson). The bill provides that Senate Rules Committee and Assembly Speaker appointees to the Coastal Commission will serve fixed two-year terms and deletes the "at will" provisions in existing law that permit the two legislative bodies to remove their appointees at any time during a two-year term.

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The committee then heard testimony from state and local agency representatives, and other interested parties, discussing current and proposed changes to federal environmental law.

SB 90 Mandate Repeal

On January 23, 2003 Assemblyman David Cogdill (R-Modesto) introduced AB 166 declaring that it is the intent of the Legislature to amend or repeal statutes that impose certain State-mandated local programs for which the State is not providing full funding. The bill is awaiting referral to committee.

We will continue to keep you advised.

DEJ:GK
MAL:JR:ib

Attachment

c: Executive Officer, Board of Supervisors
 County Counsel
 Local 660
 All Department Heads
 Legislative Strategist
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities
 City Managers Associations
 Buddy Program Participants